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INFO RUEHAS/AMEMBASSY ALGIERS 0208
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SUBJECT: Jordan's Trade Deficit Doubles During First Half of 2008;
FTA Negotiations Concluded with Canada

Ref: Amman 1612

11. Summary: Jordan's trade deficit nearly doubled to \$5 billion during the first half of 2008. The Government of Jordan (GOJ) attributes the expanding trade gap to a significant increase in imports, which reached \$8.61 billion due largely to the price increase for crude oil imports. The Greater Arab Free Trade Area remains Jordan's largest export-import market, with Jordanian exports to Iraq rising 53.5% during this period. The U.S. remains Jordan's top bilateral trading partner with two-way trade reaching over \$881 million, according to GOJ statistics. A 38.8% increase in Jordanian imports from the U.S. off-set a 16.5% decrease in exports to the U.S., due primarily to a drop in apparel exports. Jordan recently concluded negotiations on a free trade agreement (FTA) with Canada that is expected to be signed soon. End Summary.

Significant Import Increase due to High Oil Prices

12. According to the GOJ Department of Statistics (DOS), Jordan's trade deficit widened 46% to JD 3.558 billion (\$5.025 billion) from January to June 2008, compared to JD 2.436 million (\$3.441 billion) during the same period last year. This is largely attributed to a 38.2% increase in Jordanian imports, which reached JD 6.098 billion (\$8.61 billion).

13. Most notably, imports of crude oil, primarily from Saudi Arabia, rose 131.6% to JD 1.136 billion (\$1.6 billion), compared to JD 490.3 million (\$692.51) for the same period in 2007. Imports of machinery, electrical appliances and their parts reached JD 977 million (\$1.38 billion). There was also a 27% increase in vehicle imports, totaling about JD 431 million (\$609 million), with Germany and the U.S. as the primary sources. Imports of iron and its products rose 55% to JD 421 million (\$595 million). Cereal imports also rose 27% to JD 247 million (\$349 million).

Jordanian Exports Increased, but Not Enough

14. A 28.6% increase in Jordanian exports worldwide was not enough to off-set the increase in imports. Total Jordanian exports reached JD 2.54 billion (\$3.587 billion), which included JD 1.965 (\$2.78 billion) in national exports and JD 574.7 million (\$811.72 million) in re-exports.

15. Garments continued to be Jordan's top export, reaching JD 333 million (\$470 million), but this figure represented a 15.5% drop compared to the same period last year. Interlocutors have cited downward worldwide trends in the apparel industry and high costs of production in Jordan as contributing factors to the decline. The second largest export was fertilizer, which increased 105% to reach JD 259 million (\$366 million), with over two-thirds of the product being sold to India (ref A). Pharmaceuticals ranked third with JD 183 million in exports, primarily to Algeria and Saudi Arabia. Other exports included JD 169 million (\$238 million) in vegetables, JD 165 million (\$233 million) in potash, and JD 125 million (\$177 million) in phosphates. NOTE: Potash and phosphates are ingredients for fertilizer. END NOTE.

Markets: U.S. Remains Top Bilateral Trading Partner

16. The Greater Arab Free Trade Area (GAFTA) remained Jordan's largest export-import market during the first half of 2008. While imports from Saudi Arabia increased significantly, exports to Iraq rose 53.5% to reach JD 259 million (\$366 million). Top Jordanian exports to Iraq included vegetables, aluminum products, plastics, and electrical machinery. Jordan also does a significant amount of trade with non-Arab Asian countries, including China which exported JD 553 million (\$781 million) to Jordan during this period,

particularly machinery and fabrics. Jordan continues to maintain a large trade deficit with the EU countries by importing over \$1.9 billion and exporting only \$141 million.

17. The U.S. is still Jordan's top bilateral trading partner with two-way trade reaching \$881 million in the first half of 2008. GOJ statistics show that Jordanian imports of U.S. products rose 39% to JD 280 million (\$396 million). According to the GOJ, Jordan's top import from the U.S. was cereal which reached JD 37 million (\$52 million) or 13.2% of total imports, followed by JD 33 million (\$46 million) in machinery and JD 26 million (\$40 million) in vehicles. Total Jordanian exports to the U.S. dropped 16.5%, however, to JD 343 million (\$485 million), primarily due to the drop in apparel exports.

18. NOTE: USITC calculations differ slightly from the GOJ, showing bilateral trade at \$977 million, with \$541 million in Jordanian exports to the U.S. and \$436 million in Jordanian imports from the U.S. USITC also shows vehicles as being the top Jordanian import from the U.S., having reached \$98 million during the first half of 2008, followed by aircraft and parts thereof, machinery, and equipment. Cereal imports rank fifth at \$25 million. The Ministry of Industry and Trade is looking into the discrepancies but provided an initial explanation that the DOS does not register officially imports from the U.S. that arrive in Jordan but are then re-exported to other countries - i.e., to Iraq. END NOTE.

Free Trade Agreement with Canada

19. Jordan concluded negotiations with Canada on an FTA in August 2008. Both parties initialed the agreement, the first between an Arab country and Canada, which will be formally signed during an imminent visit by the Canadian Prime Minister to Jordan. According to Ministry of Industry and Trade Secretary General Montaser Okla, upon entry into force of the agreement, Jordan will receive full exemption of customs duties for Jordanian goods entering the Canadian market, except for a list of 97 agricultural products, including eggs and dairy products. In return, Jordan will implement a three-tiered schedule of reducing customs duties on Canadian products to zero over a transitional period of five years. Trade with Canada is currently minimal with JD 3.6 million (\$5.1 million) in total exports to Canada and JD 27.9 million (\$39.4 million) in imports from Canada during the first half of 2008. Jordan views this new agreement as a nice complement to the U.S.-Jordan FTA.

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